

Research and Experimental Expenditures Credit

FOR INCOME YEAR	
Beginning	2000, and Ending

CT TAX REGISTRATION NUMBER											
Corporation Name									0	0	0

Complete **Form CT-1120RC, *Research and Experimental Expenditures Credit***, to claim the credit equal to **20%** of the incremental increase in research and experimental expenditures which are conducted in Connecticut, pursuant to Conn. Gen. Stat. §12-217j.

This form must be accompanied by a detailed schedule that identifies the location in Connecticut where the research and experimentation was conducted and the amounts spent directly on research and experimentation in the current income year and in the preceding income year. For further information, see **Special Notice 2000(15)**, *Corporation Business Tax Credits 1999 - 2000 Update*, or contact the Department of Revenue Services, Taxpayer Services Division, 1-800-382-9463 (toll-free within Connecticut) or 860-297-5962 (from anywhere).

Connecticut research and experimental expenditures are those that may be deducted under §174 of the Internal Revenue Code of 1986 and related regulations. Only amounts spent directly on such research and experimental expenditures will be allowed. Overhead and other expenses, including general and administrative expenses, which relate to a corporation's activities as a whole and not specifically to the research and experimental effort, will not qualify.

Qualifying expenditures include, but are not limited to:

- Expenditures incurred in connection with the taxpayer's trade or business which represent research and development costs in the experimental or laboratory sense
- All costs incurred in the development of an experimental or pilot model, a plant process, a product, a formula, an invention, or similar property, and the improvement of already existing property of the type mentioned
- Costs of obtaining a patent, such as attorneys' fees expended in making and perfecting a patent application

The credit is equal to **20%** of the amount spent by the corporation directly on Connecticut research and experimental expenditures that exceeds the amount spent by that corporation on those expenditures during the preceding income year.

— This form must be attached to **Form CT-1120** or **Form CT-1120S** —

PART I - CREDIT COMPUTATION			
1.	Amount of Connecticut research and experimental expenditures for the 2000 income year. (Attach detailed schedule)	1	
2.	Amount of Connecticut research and experimental expenditures for the 1999 income year. (Attach detailed schedule)	2	
3.	Balance (Subtract Line 2 from Line 1) (If zero or less, the corporation is not eligible for this credit.)	3	
4.	TAX CREDIT: Multiply Line 3 by 20% (.20). Enter here and on Form CT-1120K or Form CT-1120SK , Part I-D, Line 18, Column A.	4	

NOTE: For credit carryforward instructions and schedule, see Part II on reverse side of this form.

EXCHANGE OF TAX CREDIT

For income years beginning on or after January 1, 2000, any taxpayer whose gross income does not exceed \$70 million and who cannot take the credit as a result of having no tax liability under the corporation business tax, may elect to carry 100% of the credit forward or may exchange the credit with the state for a cash payment equal to 65% of its value. See Conn. Gen. Stat. §12-217ee. Only tax credits earned in 2000 may be exchanged. **Application Procedure:** Complete **Form CT-1120 XCH**, *Application for Exchange of Research and Development or Research and Experimental Expenditures Tax Credits by a Qualified Small Business*, and submit it with the final return (**Form CT-1120**, **Form CT-1120S**, or **Form CT-1120CR**). **Form CT-1120 XCH** is available on the DRS Web site at: **www.drs.state.ct.us**.

CARRYFORWARD SCHEDULE

For income years beginning on or after January 1, 1997, the 15-year carryforward is applicable to biotechnology companies only. However, for income years beginning on or after January 1, 2000, the 15-year carryforward is applicable to all companies.

PART II - COMPUTATION OF CARRYFORWARD							
		A Total Credit Earned	B Credit Applied 1997 through 1999	C Carryforward to 2000 (Subtract Column B from Column A)	D Credit Applied in 2000	E Credit Exchanged in 2000	F Carryforward to 2001 (See line instructions below)
1.	1997 Form CT-1120RC, Line 4.						
2.	1998 Form CT-1120RC, Line 4.						
3.	1999 Form CT-1120RC, Line 4.						
4.	2000 Form CT-1120RC, Line 4.						
5.	Total Research and Experimental Expenditures Credit Carryforward to 2001 . (Add Lines 1 through 4, Column F) Enter here and on Form CT-1120K or Form CT-1120SK , Part I-D, Line 18, Column D.						

LINE INSTRUCTIONS

Lines 1 through 4, Columns A through D - Enter the amounts for each corresponding year.

Line 4, Column E - Enter the amount of credit to be exchanged for cash.

Lines 1 through 3, Column F - Subtract Column D from Column C.

Line 4, Column F - Subtract Line 4, Column D and Column E, from Line 4, Column A.

Line 5 - Complete as indicated.